The Fiscal Monitor

A Publication of the Department of Finance

Highlights

August 2009: budgetary deficit of $5.3 billion

There was a budgetary deficit of $5.3 billion in August 2009, compared to a deficit of $1.9 billion in August 2008. The August 2009 deficit reflects the impact of the weaker economy on the Government's finances, as well as measures introduced under Canada's Economic Action Plan. Revenues were down $2.0 billion from August 2008. Roughly half of the decline was due to a significant drop in corporate income tax revenues. Program expenses increased by $1.7 billion compared to August 2008, largely reflecting much higher Employment Insurance (EI) benefit payments. Public debt charges decreased by $0.2 billion compared to August 2008 due to lower average effective interest rates.

April to August 2009: budgetary deficit of $23.7 billion

For the first five months of the 2009–10 fiscal year, the budgetary deficit was $23.7 billion, compared to a budgetary surplus of $1.1 billion reported in the same period of 2008–09. Roughly $11 billion of the $23.7-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, enhanced EI benefits and support for the automotive industry. Revenues were down $10.6 billion, or 10.9 per cent, roughly half of which resulted from a significant decline in corporate income tax revenues. Program expenses were up $15.3 billion, or 18.6 per cent, mainly reflecting higher EI benefit payments and support for the automotive industry. Public debt charges were down $1.1 billion on a year-over-year basis, reflecting lower interest rates.

August 2009

There was a budgetary deficit of $5.3 billion in August 2009, compared to a $1.9-billion deficit in August 2008.

Revenues decreased by $2.0 billion, or 11.4 per cent, to $15.2 billion in August 2009.

- Personal income tax revenues decreased by $0.5 billion, or 5.5 per cent, reflecting lower employment and the impact of personal income tax reductions announced in Canada's Economic Action Plan. These tax reductions included increases in the basic personal amount and personal income tax bracket thresholds, as well as the Home Renovation Tax Credit.
- Corporate income tax revenues were down $1.0 billion, or 78.6 per cent, primarily reflecting higher corporate refunds. In August 2009, corporations received significant refunds of taxes paid in previous years based on losses incurred in the 2008 taxation year. In addition, large reassessments of tax returns from prior years triggered refunds in August.
- Non-resident income tax receipts were down $0.2 billion, or 34.4 per cent.

Note: Unless otherwise noted, changes in financial results are presented on a year-over-year basis.

- Excise taxes and duties were down $28 million, or 0.9 per cent. After declining in each of the first four months of the year, goods and services tax (GST) revenues were up $0.1 billion, or 5.9 per cent, in August, likely reflecting the unwinding of timing factors that caused GST revenues to be weaker than expected in the early months of the fiscal year. Energy taxes were up $6 million, customs import duties were down $0.1 billion, and other excise taxes and duties decreased by $0.1 billion.
- EI premium revenues were down $0.2 billion, or 14.6 per cent, resulting from a one-time $0.2-billion downward adjustment in August 2009 to unwind an overestimate of EI premium revenues thus far in 2009–10. Absent the adjustment, EI premium revenues would have been virtually unchanged from the same month last year. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009 and 2010.
- Other revenues, consisting of net profits from enterprise Crown corporations, revenues of consolidated Crown corporations, proceeds from the sale of goods and services, returns on investments, foreign exchange net revenues and miscellaneous revenues, were down $0.1 billion, or 3.4 per cent.

Program expenses in August 2009 were $17.8 billion, up $1.7 billion, or 10.4 per cent, from August 2008. Roughly half of this increase is attributable to higher EI benefit payments.

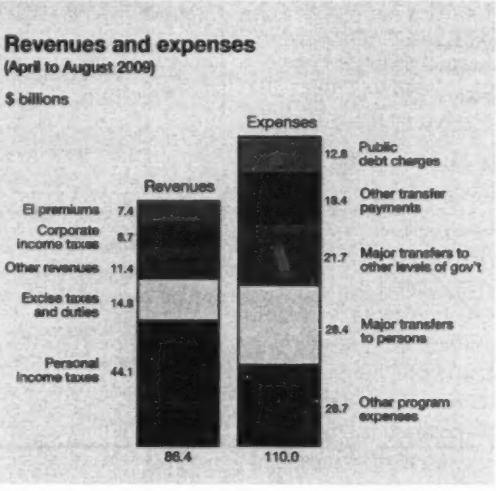
In August 2009, transfer payments were up $1.5 billion, or 14.7 per cent, from August 2008.

- Major transfers to persons, consisting of elderly, EI and children's benefits, increased by $1.1 billion, or 22.2 per cent. Elderly benefits increased by $0.2 billion, or 5.5 per cent. EI benefit payments increased by $0.9 billion, or 77.6 per cent, reflecting significantly higher regular benefits due to rising unemployment, as well as benefit enhancement measures announced as part of Canada's Economic Action Plan. Children's benefits, which consist of the Canada Child Tax Benefit and the Universal Child Care Benefit, increased by $37 million.
- Major transfers to other levels of government, consisting of federal transfers in support of health and other social programs (Canada Health Transfer and Canada Social Transfer), fiscal transfers, transfers to provinces on behalf of Canada's cities and communities, and Alternative Payments for Standing Programs, were up $0.3 billion, or 7.3 per cent, reflecting legislated increases in the Canada Health Transfer, the Canada Social Transfer and Equalization.
- Other transfer payments increased by $0.2 billion, or 10.8 per cent, reflecting increases across a number of departments.

Other program expenses consist of operating expenses of Crown corporations, departments and agencies, including National Defence, and also reflect the ongoing assessment of the Government's liabilities. These expenses increased by $0.1 billion, or 2.3 per cent, over last year.

Public debt charges decreased by $0.2 billion compared to August 2008 due to lower average effective interest rates on the stock of interest-bearing debt.

Revenues and expenses
(April to August 2009)



April to August 2009

Through the first five months of the 2009–10 fiscal year, there was a budgetary deficit of $23.7 billion, compared to a surplus of $1.1 billion reported during the same period of 2008–09. Roughly $11 billion of the $23.7-billion deficit was attributable to actions taken under Canada's Economic Action Plan, including tax reductions, enhanced EI benefits and support for the automotive industry.

Revenues declined by $10.6 billion, or 10.9 per cent, to $86.4 billion.

- Personal income tax revenues were down $2.7 billion, or 5.7 per cent, reflecting lower employment and the impact of tax relief measures. These tax reductions included increases in the basic personal amount and personal income tax bracket thresholds, as well as the Home Renovation Tax Credit. Personal income tax revenues are expected to remain weak through the remainder of 2009 and then begin to rise year-over-year in the first quarter of 2010, reflecting projected wage growth and the expiration of the Home Renovation Tax Credit at the end of January 2010.
- Corporate income tax revenues were down $5.0 billion, or 36.6 per cent, reflecting higher refunds and lower installment payments.
- Non-resident income tax revenues were down $0.2 billion, or 9.5 per cent.
- Excise taxes and duties were down $2.5 billion, or 14.5 per cent, primarily due to a $2.2-billion, or 19.5-per-cent, decline in GST revenues. GST revenues are projected to strengthen over the course of the fiscal year, reflecting the unwinding of timing impacts that dampened GST revenues early in the fiscal year and the projected recovery over the remainder of the fiscal year in consumer spending on items that are subject to the GST. As a value-added tax, federal GST revenues represent the difference between total GST owed to the Government and credits claimed for GST paid on inputs. For example, net federal GST revenues in 2008–09 of $25.7 billion were derived from total GST assessed of about $167.0 billion, less $141.3 billion of input tax credits, rebates, and credits to persons. As a result, timing differences between the much larger value of GST owed to the Government and credits claimed for GST paid on inputs can yield volatile net collections on a monthly basis. Energy taxes decreased by $39 million, customs import duties were down $0.2 billion, and other excise taxes and duties fell $0.1 billion.
- EI premium revenues were virtually unchanged. The premium rate was kept stable at $1.73 per $100 of insurable earnings for 2009 and 2010.
- Other revenues were down $0.2 billion, or 1.8 per cent.

Program expenses for April to August 2009 were $97.2 billion, up $15.3 billion, or 18.6 per cent, from the same period last year, primarily reflecting increased EI benefit payments and support for the automotive industry.

Transfer payments for April to August 2009 were up $14.5 billion, or 26.9 per cent, from the same period last year.

- Major transfers to persons were up $4.0 billion, or 16.4 per cent. Elderly benefits increased by $0.8 billion, or 5.6 per cent, in line with growth in the elderly population and changes in consumer prices, to which benefits are fully indexed. EI benefit payments increased by $3.1 billion, or 54.0 per cent, reflecting higher unemployment and benefit enhancements introduced as part of Canada's Economic Action Plan. Children's benefits were up $84 million.
- Major transfers to other levels of government were up $1.9 billion, or 9.7 per cent, reflecting legislated growth in the Canada Health Transfer, the Canada Social Transfer and Equalization, as well as the previously announced doubling of the gas tax transfer to provinces and municipalities, as of April 1, 2009.

- Other transfer payments were up $8.6 billion, mainly reflecting the impact of support for the automotive industry, partially offset by a decrease in transfers to Newfoundland and Labrador and Nova Scotia under the Atlantic Offshore Accords.

Other program expenses increased by $0.7 billion, or 2.6 per cent, from last year's level, due mainly to an increase in the operating expenses of National Defence.

Public debt charges decreased by $1.1 billion, or 7.9 per cent, as the increase in the stock of interest-bearing debt was more than offset by lower average effective interest rates on that stock.

Financial requirement of $45.5 billion for April to August 2009

The budgetary balance is presented on an accrual basis of accounting, recording government assets and liabilities when they are receivable or incurred, regardless of when the cash is received or paid. In contrast, the financial source/requirement measures the difference between cash coming in to the Government and cash going out. This measure is affected not only by changes in the budgetary balance but also by the cash source/requirement resulting from the Government's investing activities through its acquisition of capital assets and its loans, financial investments and advances, as well as from other activities, including payment of accounts payable and collection of accounts receivable, foreign exchange activities, and the amortization of its tangible capital assets. The difference between the budgetary balance and financial source/requirement is recorded in non-budgetary transactions.

With a budgetary deficit of $23.7 billion and a requirement of $21.8 billion from non-budgetary transactions, there was a financial requirement of $45.5 billion in the April to August period of 2009–10, compared to a financial requirement of $19.6 billion in the same period of 2008–09. This year-over-year difference is due mainly to the deterioration in the budgetary balance.

Net financing activities up $25.0 billion

The Government financed this financial requirement of $45.5 billion by increasing market debt by $25.0 billion and reducing cash balances by $20.5 billion. The increase in market debt was achieved primarily through the issuance of marketable bonds. The level of cash balances varies from month to month based on a number of factors including periodic large debt maturities, which can be quite volatile on a monthly basis. Cash balances at the end of August 2009 stood at $24.5 billion, $15.3 billion above their level at the end of August 2008.

Table 1
Summary statement of transactions

	August		April to August	
	2008	2009	2008–09	2009–10
		($ millions)		
Budgetary transactions				
Revenues	17,112	15,162	96,969	86,366
Expenses				
Program expenses	-16,164	-17,845	-81,979	-97,237
Public debt charges	-2,811	-2,659	-13,905	-12,812
Budgetary balance (deficit/surplus)	-1,863	-5,342	1,085	-23,683
Non-budgetary transactions	2,536	62	-20,705	-21,830
Financial source/requirement	673	-5,280	-19,620	-45,513
Net change in financing activities	3,396	5,219	17,600	25,015
Net change in cash balances	4,069	-61	-2,020	-20,498
Cash balance at end of period			9,223	24,533

Note: Positive numbers indicate net source of funds. Negative numbers indicate net requirement for funds.

Table 2
Revenues

	August			April to August		
	2008	2009	Change	2008–09	2009–10	Change
	($ millions)		(%)	($ millions)		(%)
Tax revenues						
Income taxes						
Personal income tax	9,038	8,544	-5.5	46,790	44,111	-5.7
Corporate income tax	1,277	273	-78.6	13,769	8,733	-36.6
Non-resident income tax	558	366	-34.4	2,285	2,068	-9.5
Total income tax	10,873	9,183	-15.5	62,844	54,912	-12.6
Excise taxes and duties						
Goods and services tax	1,846	1,955	5.9	11,247	9,059	-19.5
Energy taxes	436	442	1.4	2,076	2,037	-1.9
Customs import duties	370	313	-15.4	1,722	1,512	-12.2
Other excise taxes and duties	514	428	-16.7	2,211	2,147	-2.9
Total excise taxes and duties	3,166	3,138	-0.9	17,256	14,755	-14.5
Total tax revenues	14,039	12,321	-12.2	80,100	69,667	-13.0
Employment Insurance premiums	1,129	964	-14.6	7,398	7,396	0.0
Other revenues	1,944	1,877	-3.4	9,471	9,303	-1.8
Total revenues	17,112	15,162	-11.4	96,969	86,366	-10.9

Note: Totals may not add due to rounding.

Table 3
Expenses

	August			April to August		
	2008	2009	Change	2008–09	2009–10	Change
	($ millions)		(%)	($ millions)		(%)
Transfer payments						
Major transfers to persons						
Elderly benefits	2,723	2,874	5.5	13,525	14,284	5.6
Employment Insurance benefits	1,132	2,010	77.6	5,835	8,984	54.0
Children's benefits	956	993	3.9	5,043	5,127	1.7
Total	4,811	5,877	22.2	24,403	28,395	16.4
Major transfers to other levels of government						
Support for health and other social programs						
Canada Health Transfer	1,886	2,039	8.1	9,429	10,198	8.2
Canada Social Transfer	880	906	3.0	4,399	4,600	4.6
Total	2,766	2,945	6.5	13,828	14,798	7.0
Fiscal transfers	1,237	1,320	6.7	6,623	7,079	6.9
Canada's cities and communities	6	0	n/a	481	957	99.0
Alternative Payments for Standing Programs	-254	-236	-7.1	-1,166	-1,143	-2.0
Total	3,755	4,029	7.3	19,766	21,691	9.7
Other transfer payments						
Agriculture and Agri-Food	107	216	101.9	412	563	36.7
Foreign Affairs and International Trade	240	218	-9.2	1,136	1,220	7.4
Health	96	77	-19.8	881	1,049	19.1
Human Resources and Social Development	104	178	71.2	924	1,240	34.2
Indian Affairs and Northern Development	343	330	-3.8	2,006	2,150	7.2
Industry	240	287	19.6	808	889	10.0
Other	800	832	4.0	3,654	11,311	209.6
Total	1,930	2,138	10.8	9,821	18,422	87.6
Total transfer payments	10,496	12,044	14.7	53,990	68,508	26.9
Other program expenses						
Crown corporation expenses						
Canadian Broadcasting Corporation	93	88	-5.4	465	439	-5.6
Canada Mortgage and Housing Corporation	167	195	16.8	990	899	-9.2
Other	282	296	5.0	1,831	2,028	10.8
Total	542	579	6.8	3,286	3,366	2.4
Defence	1,706	1,618	-5.2	7,279	7,673	5.4
All other departments and agencies	3,420	3,604	5.4	17,424	17,690	1.5
Total other program expenses	5,668	5,801	2.3	27,989	28,729	2.6
Total program expenses	16,164	17,845	10.4	81,979	97,237	18.6
Public debt charges	2,811	2,659	-5.4	13,905	12,812	-7.9
Total expenses	18,975	20,504	8.1	95,884	110,049	14.8

Note: Totals may not add due to rounding.

Table 4
The budgetary balance and financial source/requirement

	August		April to August	
	2008	2009	2008–09	2009–10
			($ millions)	
Budgetary balance (deficit/surplus)	-1,863	-5,342	1,085	-23,683
Non-budgetary transactions				
Capital investment activities	-359	-435	-932	-766
Other investing activities	-770	-457	-12,534	-14,453
Pension and other accounts	331	919	2,069	3,362
Other activities				
Accounts payable, receivables, accruals and allowances	4,396	1,103	-9,186	-15,485
Foreign exchange activities	-1,353	-1,367	-1,529	4,172
Amortization of tangible capital assets	291	299	1,407	1,340
Total other activities	3,334	35	-9,308	-9,973
Total non-budgetary transactions	2,536	62	-20,705	-21,830
Financial source/requirement	673	-5,280	-19,620	-45,513

Note: Totals may not add due to rounding.

Table 5
Financial source/requirement and net financing activities

	August		April to August	
	2008	2009	2008–09	2009–10
			($ millions)	
Financial source/requirement	673	-5,280	-19,620	-45,513
Net increase (+)/decrease (-) in financing activities				
Unmatured debt transactions				
Canadian currency borrowings				
Marketable bonds	4,891	14,493	5,279	35,278
Treasury bills	-1,900	-9,500	13,600	-1,600
Canada Savings Bonds	-33	-28	-126	-43
Other	-1	-1	-492	-67
Total	2,957	4,964	18,261	33,568
Foreign currency borrowings	126	-542	-1,172	-4,332
Total	3,083	4,422	17,089	29,236
Cross-currency swap revaluation	179	765	248	-3,979
Unamortized discounts on debt issues	143	43	336	-167
Obligations related to capital leases	-9	-11	-73	-75
Net change in financing activities	3,396	5,219	17,600	25,015
Change in cash balance	4,069	-61	-2,020	-20,498

Note: Totals may not add due to rounding.

For inquiries about this publication, contact Doug Nevison at 613-995-6391.
Ce document est également offert en français.
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